major holdings + developments limited annual report

year ending jan. 31, 1970

Board of Directors
Abram Wiebe
Carl N. Weber
Jack H. Smith, Q.C.
Howard R. Huehn
Kenneth H. Christopher
James B. Cronyn
Carl E. Dunker, M.B.E.
J. Harper Schofield, Q.C.
Abraham I. Rosenberg
Bruce H. Burns
Norman W. Parker
Harry E. Wambold
Edward Bergman

Head Office
Westmount Place
50 Westmount Road, N., Waterloo, Ontario

Solicitors
Wintermeyer, Smith, Murphy & Graham, Kitchener, Ontario

Auditors
McDonald, Currie & Co., Chartered Accountants

Banker
Royal Bank of Canada
Westmount Place
50 Westmount Road, N., Waterloo, Ontario

Transfer Agent & Registrar
Preference & Common Shares —
The Canada Trust Company, Kitchener and Toronto, Ontario

Trustee for the Debenture Holders
National Trust Company, Limited, Toronto, Ontario

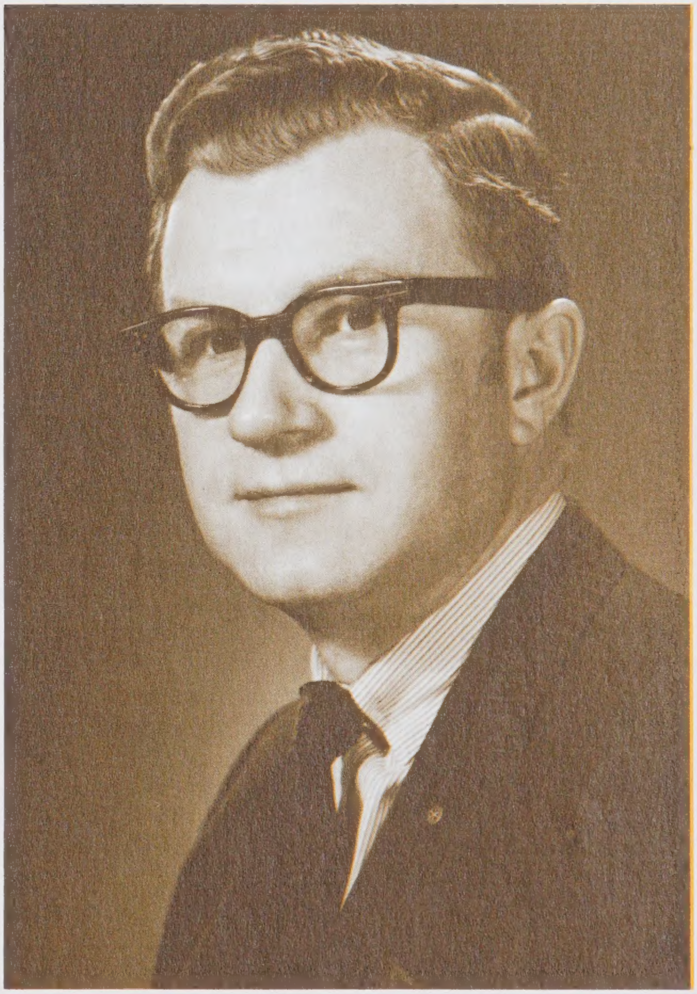
Listing of Common Shares
Toronto Stock Exchange

president's report

I am deeply honored to make my Thirteenth Annual President's Report to our nearly 1,200 shareholders. This year marked our first full year as a Public Company on the Toronto Stock Exchange and involved considerable new work and responsibility. A most worthwhile challenge which we all enjoyed!

It was a good year despite tight money, record high bank interest and mortgage rates, a shortage of mortgage funds, rising unemployment, and tremendous uncertainties about the future of this great country, created by the separatist movement in Quebec and Mr. Benson's White Paper on Tax Reform. Our total income, gross profit, and net profit after taxes recorded increases over the previous year's figures. Our total assets rose by $5.3 Million to over $16 Million, while capital and surplus rose by 48% to $2,608,000. Profits on land sales of $260,000 in the year just ended were deferred although full payment was received in cash and added to working capital.

In reporting on the year's activities, I have chosen the category form.



Residential. Draft plan approval was obtained for the next phase of Beechwood Community covering 140 acres and registration of the first phase subdivision plan for two new neighbourhoods, Beechwood Downs and Beechwood Glen. House construction is underway in both these developments. Registration of the first phase of St. Andrew's estates, Galt, and construction of the first group of custom model homes by Vintage Homes Limited were finished. The start on Southgate town house project, Waterloo, was deferred pending final O.M.B. hearing on zoning, financing for the project is arranged.

Vintage Homes Limited, in which the company holds a one-third interest, substantially increased total production of higher priced custom homes in the Beechwood area, increased its net profit after taxes for the year ending August 31st, 1969 to $20,450, and has just begun construction of a 40-unit town house project for Ontario Housing Corporation. Operating results and balance sheet figures are not reflected in Major Holdings statements.

Apartments. An over-supply of apartments in the K-W area affected occupancy levels in all but the cheaper walk-up buildings. Our experience was better than the average. At this date our average vacancy in our buildings is just under 5% and improving. Recently we purchased Manor House—a quality 35 unit apartment building in Kitchener, to complement the price range of accommodation we can offer, and also recently acquired Avenue Terrace, a 16 unit elevatored deluxe apartment in Kitchener which we are in the process of converting to a Condominium for immediate sale under this new method of home ownership, not previously offered in the Waterloo County area.

Plans were substantially completed for Westmount Towers #2 but a go-ahead now depends on obtaining a mortgage at an economic interest rate. Our proposed 135-suite College Square #1 apartment was withdrawn in late spring of 1969 owing to the vacancy factor in budget-priced apartments then manifesting itself. We are now considering the sale of the approxi-

mately 9 acres of apartment land at College Square as an alternative to developing this ourselves.

Commercial. Westmount Place Shopping Centre, Waterloo, was substantially completed during the year. The official Opening occurred February 26th, 1970. 25 stores are now in operation, 5 are under negotiation and 12,000 square feet of office space remain to be rented. As the only high-class shopping centre in the area, we are confident that its initial success will increase. Our executive offices as well as those of Vintage Homes Limited are now located in Westmount Place.

In October, we commenced construction of a prestige $5 Million office-theatre complex in downtown Kitchener—Corporation Square—which is slated for completion by January 1971. Construction and leasing are progressing satisfactorily.

In the Dunker Building acquired last spring, the basement area has been transformed into a beautiful promenade of small shops called Dunker Mews, now substantially leased. Extensive improvements have been made to this large building and revenues should rise markedly as current leases come up for renewal.

The 200-room hotel planned for our parking lot at Charles and Water Streets has been deferred due to lack of mortgage funds at a reasonable rate. The hotel chain for whom we would be building this facility has plans ready for early construction once realistic financing is arranged.

College Square Shops at University Avenue and Phillip Street, Waterloo, is expected to go ahead this year. Preliminary plans for Phase I of this project valued at $500,000, for which tenants are immediately available, will be reviewed early in May.

Industrial. The general economic slowdown greatly reduced inquiries for new industrial space. As a result, no industrial sites were sold during the year. Our industrial buildings however enjoyed excellent occupancy. Our Terminal Building #3 of 45,300 square feet was sold at an excellent profit. Earlier this month we purchased the land and plant of the L. McBrine Co. Ltd. across the street from our hotel site in Kitchener. While the building of 109,000 square feet is in excellent condition and would lend itself to a multi-tenant industrial or warehouse operation, its main advantage lies in the fact that the site can accommodate the entire parking needs of the hotel at a substantial savings over a parking structure. Our new lease for the 90,000 square foot Abex building, Waterloo, whose present tenant is vacating on June 30th, is under negotiation.

Pioneer Park. Approval of the Draft Plan for Phase I of 298 acres is expected momentarily, all municipal approvals having been received. The Kitchener Planning Board approved the zoning on April 8th, giving us the desired mix of 49 acres of apartment land, 54 acres of town house land, 120 lots for medium priced single family housing, 100 lots for low-priced single family housing, a 14.1 acre shopping centre site, 3 service station sites, plus high school and 5 elementary school sites as well as extensive park areas. We are looking towards registration of the first subdivision plan by November with a start of house construction immediately thereafter. The existence of such a wide variety of land, in such quantity, should greatly enhance our sales program in the second half of this fiscal year and reflect most favourably starting in 1971.

And now, what about our program for 1970? In brief, in our residential areas now under way or coming up as in Pioneer Park, we will develop and sell lots as fast as the market permits. The great reduction in housing starts during the first quarter should mean a substantial pick-up in the remainder of the year. We plan on selling multi-family blocks to other builders in the Parkdale, College Square and Pioneer Park areas. A start on the Southgate project should be made this year but we plan on keeping this high-quality townhouse project as an income investment.

In the commercial-industrial fields, we will complete Corporation Square and hopefully College Square and on these as well as in all existing investment properties, attempt to secure the fullest possible occupancy, efficiencies, and rate of return.

With some easing in the supply of mortgage funds and a lowering of the mortgage rate, coupled with a hoped-for increase in economic activity to reduce the current high rate of unemployment, we should enjoy substantial sales of land this year, of a greater variety than ever before, which together with an improving picture on investment property income, should provide for a satisfactory profit position during the current year. With the completion of present construction projects, the coming on-stream of larger income generators such as Pioneer Park and the consolidation of our activities utilizing our expanded executive group and new head office quarters, I feel that we should be pre-

pared at an early date, to examine the possibilities of expansion outside of the immediate Waterloo County area.

The Economic Council of Canada has predicted a steady growth rate for Canada for the remainder of this century. A rate more than double the national average has been forecast for the Kitchener-Waterloo-Galt-Guelph urban region in the submissions to the Regional Government Study of Dr. Stewart Fyfe released recently. To attain a projected population of 470,000 by 1981 as compared with 340,000 in the Golden Triangle today, requires a sharp increase in the pace of development, involving the construction of up to 50,000 housing units in this decade. With the excellent land bank owned by Major Holdings in strategic areas of Waterloo, Kitchener and Galt, we can certainly count on our company being increasingly involved in profitably fulfilling the housing and other space needs of the area.

Growth is inevitable in a country as rich and sparsely populated as Canada. However, growth by itself does not bring prosperity or happiness or a higher standard of living witness the exploding population countries of Latin America, Africa, Asia, or the countries with communist or socialist governments. Defections to the Western democratic countries are quite common. The reasons are only partially political and/or ideological; more often than not, those who flee to the West come for a chance to work and prosper in a private enterprise economy. Looking at the White Paper on Tax Reform presented by Mr. Benson last November, one wonders whether we are not on the rapid road to socialism in Canada. The need for tax reform is acknowledged but if accomplished in the manner set out in the White Paper, it will have a very damaging effect on our economy. The real estate and development industry has not had a capital gains advantage for many years, and has been in favour of a tax on capital gains. This should be a completely separate tax however, payable as such gains are realized, and should not be added to a person's other income as proposed. Furthermore, it should not be at higher rates than those levied by our American neighbour or we will be at a very great competitive disadvantage. The abolition of the low tax cushion on the first $35,000 profit of a corporation will strike a blow at small companies who have as a group accounted for the majority of dollar output in the residential construction and real estate businesses. Finally, the tax on deemed realizations of capital gains on publicly held stocks every five years will cause the early demise of the remaining family controlled corporations. I doubt whether the about-to-be-inaugurated Canada Development Corporation will ever be able to run such firms in the future as profitably as they are run today by people whose lives are intertwined in same. A horrible series of mistakes is being made and no political party seems to be mobilizing to counter this trend. Our tax laws should be designed to reward saving, to encourage initiative, to reward risks that must be taken if this country's economy is to continue to forge ahead. We should try to become less dependent on government, and universal programs as such should be scrapped in favour of government, helping only those that really need help and then doing so in sufficient measure to be meaningful. Industry wide unions, completely and solely Canadian, could surely reach a proper economic balance with management to obviate the necessity for inflationary wage demands and the costly loss of millions of man-hours of production each year, which is now beginning to seriously hurt our competitive position in world markets.

During the year, we experienced the loss of a valued Director and friend, Mr. Albert Dunker. His excellent contribution to the company was appreciated by everyone.

In March 1970, Mr. James Cronyn, Toronto, President of Cochran, Murray Limited, whose firm acted as the Underwriters for our Stock and Debenture issue in 1968, was appointed to the Board.

At this time, may I again express my deepest thanks to my associates on the Board of Directors, our officers and employees, and those of Vintage Homes Limited and Wiebe Realty Limited for their valued contribution to the success of Major Holdings and Developments Limited during the past year.

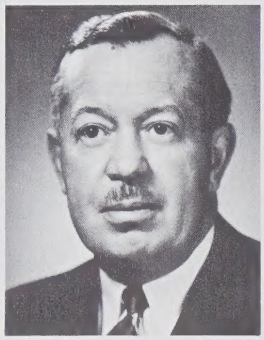
April 20th, 1970

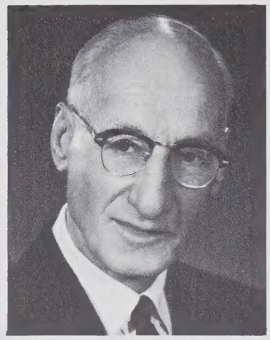
A. Wiebe, F.R.I.
President.

directors


Carl N. Weber


Jack H. Smith, Q.C.


Carl E. Dunker, M.B.E.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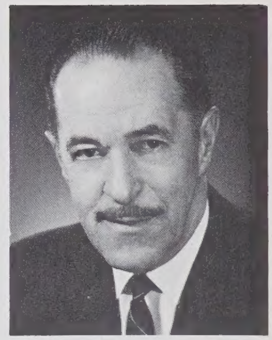
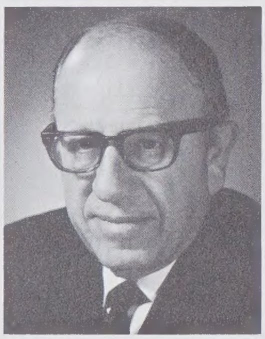
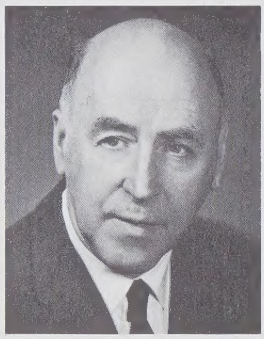
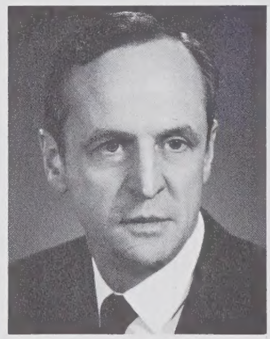
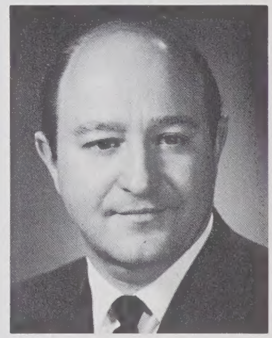

Harry E. Wambold


James B. Cronyn


Abraham I. Rosenberg


Norman W. Parker


Howard R. Huehn


Edward Bergman

officers

Abram Wiebe, F.R.I.
President

Bruce H. Burns, C.A.
Vice-President

Jack H. Smith, Q.C.
Secretary

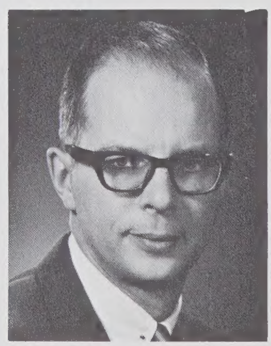
R. William Lavigne, C.A.
Comptroller and Treasurer

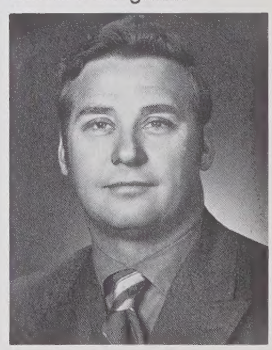
Kenneth H. Christopher, M.Ed.
Executive Assistant
to the President

R. C. Van Veldhuisen, B.A.Sc.
Director of Planning
& Engineering

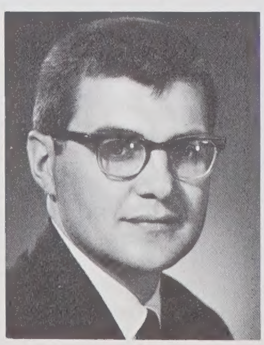
John A. Watson
Director of Property
Management

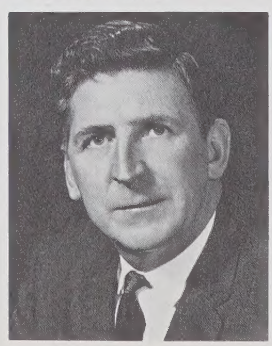
Geoffrey Barnes, B.A.Sc.
Project Co-ordinator

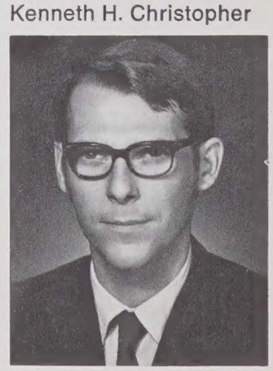

Bruce H. Burns


Kenneth H. Christopher


R. William Lavigne


R. C. Van Veldhuisen


John A. Watson


Geoffrey Barnes

Corporation Square now under construction in the City of Kitchener, scheduled for occupancy January 1971 providing 126,000 sq. ft. of office space, 4,400 sq. ft. of retail shops and a 10,000 sq. ft. theatre.

balance sheet

as at January 31, 1970

ASSETS	1970	1969
Bank term deposits	$ —	$ 991,000
Sales agreements and mortgages receivable (Note 1)	**1,967,276**	1,296,039
Property held for development—at the lower of cost or market (Note 1)	**6,002,486**	4,017,438
Prepaid expenses	**5,495**	10,593
Income taxes recoverable	**4,817**	—
Investment without quoted value—at cost (Note 8)	**4,791**	4,791
Preliminary costs—investment properties	**61,919**	102,335
Fixed assets—at cost less accumulated depreciation (Notes 1 and 3)	**8,067,942**	4,371,067
Unamortized debenture discount and financing expenses (Note 4)	**89,600**	111,658
	$16,204,326	$10,904,921

SIGNED ON BEHALF OF THE BOARD

DIRECTOR

DIRECTOR

auditor's report

March 30, 1970

To the Shareholders

We have examined the balance sheet of Major Holdings & Developments Limited as at January 31, 1970 and the statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at January 31, 1970 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the changes outlined in Note 9, in which we concur.

McDONALD, CURRIE & CO.
Chartered Accountants

LIABILITIES	1970	1969
Bank advances (Notes 1 and 2)	$ 1,613,403	$ 16,665
Accounts payable and accrued liabilities	1,172,086	479,583
9½% notes payable—maturing 1970	12,000	33,351
Income taxes	—	1,746
Provision to complete subdivision services	509,026	51,567
Deferred income and trust deposits (Note 5)	287,580	9,137
7¼% subordinated sinking fund convertible debentures, due December 15, 1988 (Note 6)	1,399,000	1,592,000
Mortgages and purchase agreements payable (Note 1)	7,970,051	6,491,380
	12,963,146	8,675,429
Deferred income taxes (Note 9)	632,515	462,645
	$13,595,661	$ 9,138,074

SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized—		
100,000 7½% cumulative preference shares of the par value of $10 each, redeemable at par		
3,000,000 common shares of no par value (Notes 6 and 7)		
Issued and fully paid—		
32,105 preference shares	$ 321,050	$ 321,050
1,995,790 common shares (Notes 6 and 7)	1,711,657	1,020,657
	2,032,707	1,341,707
Retained earnings	575,958	425,140
	2,608,665	1,766,847
	$16,204,326	$10,904,921

statement of source and use of funds

for the year ended January 31, 1970

SOURCE OF FUNDS	1970	1969
Net earnings for the year	$ 174,897	$ 171,960
Add: Charges not requiring cash outlay—		
Depreciation	111,103	56,322
Deferred income tax	169,870	179,674
Amortization of preliminary costs	60,344	—
Land usage	372,478	56,719
Amortization of debenture discount and financing expenses	22,431	—
Profit on sale of revenue producing properties included with proceeds below	(146,799)	(7,984)
	764,324	456,691
Sale of revenue producing properties	344,224	44,325
Sale of debentures	—	1,750,000
Issue of common shares	498,000	840,136
	$ 1,606,548	$ 3,091,152

USE OF FUNDS		
Land carrying charges capitalized	$ 309,444	$ —
Purchase of land—less mortgage advances thereon	722,877	494,322
Purchase of fixed assets—less mortgage advances thereon	2,819,966	706,570
Preliminary expenses	19,929	15,701
Repayment of mortgages payable	452,525	755,862
Repayment of notes payable	21,351	29,832
Debenture discount and financing expenses	373	111,658
Dividends paid on preference shares	24,079	24,079
	4,370,544	2,138,024
NET CHANGE IN OTHER ASSETS AND LIABILITIES	$ (2,763,996)	$ 953,128

NET CHANGE IN OTHER ASSETS AND LIABILITIES REPRESENTED BY	1970	1969
Increase (decrease) in bank term deposits	**$ (991,000)**	$ 991,000
Increase in sales agreements and mortgage receivable	**671,237**	121,439
Increase (decrease) in deferred development costs	**579,445**	(131,906)
Increase (decrease) in prepaid expenses	**(5,098)**	612
(Increase) in bank advances	**(1,596,738)**	(8,180)
(Increase) in accounts payable and accrued liabilities	**(692,503)**	(149,473)
(Increase) decrease in income taxes	**6,563**	(1,345)
(Increase) decrease in provision to complete subdivision services	**(457,459)**	128,400
(Increase) decrease in deferred income	**(278,443)**	2,581
	$ (2,763,996)	$ 953,128

statement of retained earnings

for the year ended January 31, 1970

	1970	1969
Balance—Beginning of year		
As previously reported	$ 675,975	$ 387,259
Prior years' adjustments (Note 9)		
Income taxes	(257,500)	(110,000)
Rental income—net	6,665	—
	(250,835)	(110,000)
As restated	425,140	277,259
Net earnings for the year	174,897	171,960
	600,037	449,219
Dividends—preference shares	24,079	24,079
Balance—End of year	$ 575,958	$ 425,140

statement of earnings

for the year ended January 31, 1970

	1970	1969
Revenue		
Sale of land	$ 1,483,227	$ 815,543
Investment properties—rentals	617,817	328,900
Net gain on sale of investment properties	146,799	7,984
Interest	86,512	68,186
	2,334,355	1,220,613
Expenses		
Cost of land sold	768,126	209,613
Income deferred (Note 5)	260,034	—
Investment properties—operating	335,689	105,454
—interest	224,054	108,703
—depreciation	105,716	53,765
General and administrative (Note 12)	287,686	388,661
	1,981,305	866,196
Net earnings before income taxes	353,050	354,417
Provision for income taxes		
Current	8,283	2,783
Deferred (Note 9)	169,870	179,674
	178,153	182,457
Net earnings for the year (Note 9)	$ 174,897	$ 171,960

notes to financial statements

for the year ended January 31, 1970

1. Security for Bank Advances and Mortgages Payable

Bank advances are secured by an assignment of book debts. Mortgages and purchase agreements payable are secured by property held for development, land and buildings.

2. Bank Advances

The bank advances have been incurred as temporary financing for Westmount Place Shopping Centre and will be repaid out of the proceeds of the mortgage on this project.

3. Fixed Assets

Land, buildings, equipment and related accumulated depreciation are classified as follows:

	1970			1969
	Cost $	Accumulated depreciation $	Net $	Net $
Land	539,678	—	539,678	236,608
Buildings	5,231,014	272,470	4,958,544	1,339,048
Equipment	266,270	78,132	188,138	145,170
Construction in progress	2,381,582	—	2,381,582	2,650,241
	8,418,544	350,602	8,067,942	4,371,067

4. Debenture Discount and Public Financing Expenses

The company is amortizing the debenture discount and public financing expenses over five years, subject to adjustment in the event of earlier redemption of the debentures.

5. Long-term Leases and Deferred Income

Two parcels of land on which revenue producing buildings are being constructed were sold and leased back to the company during the year. Profits from these sales have been deferred and will be amortized over the initial lease periods.

Westmount Place Shopping Centre

Land on which the shopping centre has been constructed was sold for $300,000 and leased back to the company for 99 years. The profit of $227,956 on this sale is being amortized over the initial 30 year term of the lease. During the current year $7,599 of this profit was recorded as income. The basic rental cost during the initial lease period is $24,750 per year.

Corporation Square

Land on which this project is being constructed was sold for $350,000 and leased back to the company for 75 years. The profit of $40,843 on this sale is being amortized over the initial 35 year term of the lease. During the current year, $1,166 of this profit was recorded as income. The basic rental cost during the initial lease period is $33,275 per year.

6. 7¼% Debentures

Under the terms of the trust indenture, the company is required to make annual payments of $100,000 into a sinking fund in each of the years 1979 to 1987 inclusive. The debentures are convertible any time prior to December 15, 1978 on the basis of 370 common shares for each $1,000 principal. The company may not declare or pay dividends on its common shares if such action would reduce the retained earnings below $750,000.

7. Capital Stock

(a) Options to purchase up to 130,000 common shares have been given to certain directors and officers of the company for periods terminating in 1978 at a price of $1.50 per share to 1973 and $3.00 per share thereafter. To date, options have been exercised to the extent of 26,000 shares.

(b) The conversion of the present debenture indebtedness will require 517,630 common shares.

(c) Details of common shares issued during the year are as follows:

	Shares	$
Conversion of debentures	71,410	193,000
Stock options exercised	26,000	39,000
Purchase of fixed assets	120,000	459,000
	217,410	691,000

8. Investments Without Quoted Value

The company has a one-third interest in Vintage Homes Limited. On an equity basis this interest is worth approximately $15,800.

9. Changes in Accounting Principles

(a) Deferred Income Taxes
The company has adopted the deferral method of income tax allocation in respect to depreciation and interim finance costs claimed for tax purposes in excess of amounts expensed. Accordingly, net earnings for the year have been decreased by $209,500. Net earnings in respect of prior years have been decreased by $257,500 of which $147,500 applies to the year ending January 31, 1969 and $110,000 to prior years.

(b) Property Held for Development
Interest, property taxes and insurance less rental income are capitalized and added to cost of land held for development until land is sold or subdivided. In prior years these costs were written off when incurred. As a result of this change, net earnings for the year have been increased by $142,036.

(c) Fixed Assets
Carrying costs of revenue producing properties which include interest, municipal taxes and operating losses are capitalized and added to the cost of buildings until they reach 70% occupancy. In prior years only interest and municipal taxes were capitalized until the building was ready for occupancy. As a result of this change, net earnings for the year have been increased by $29,738. Net earnings for the year ended January 31, 1969 were increased by $6,665.

As a result of the foregoing changes, net earnings for the year have been decreased by $37,726.

10. Capital Commitments

The estimated cost to complete construction projects is as follows:

	$
Westmount Place Shopping Centre	240,000
Corporation Square	4,680,000
	4,920,000

11. Contingent Liabilities

The company is contingently liable as guarantor for bank loans in the amount of $74,000 (1969—$16,500).

12. Other Statutory Information

(a) Remuneration paid or payable to the company's directors and senior officers (as defined by the Corporations Act, Ontario) amounted to $88,300 (1969—$63,850) during the year.

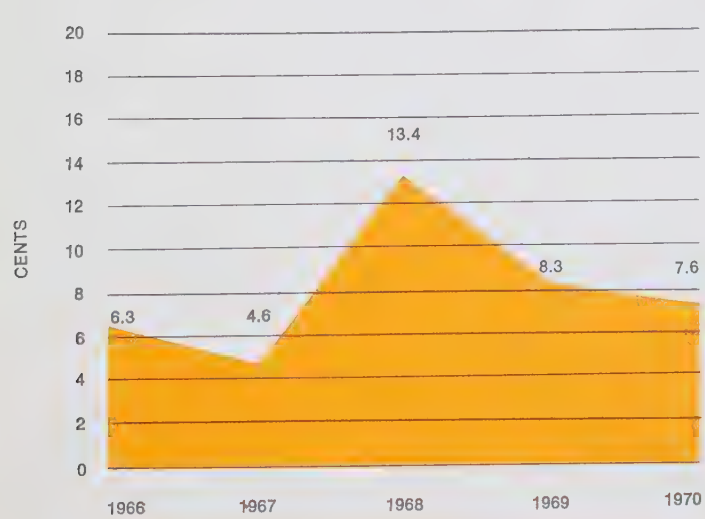
(b) Included in the general and administrative expenses:

	1970 $	1969 $
Depreciation	5,387	2,557
Interest on long-term debt	10,054	187,285

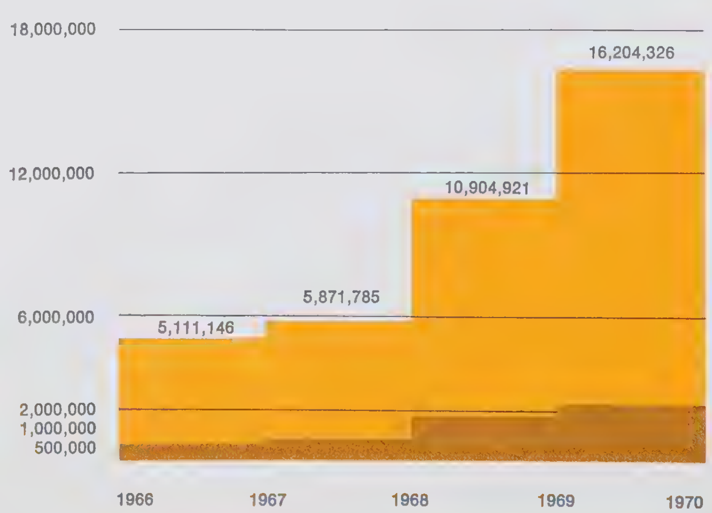
five year review of earnings

	1966	1967	1968	**1969**	**1970**
Gross Operating Revenue	$ 861,700	$ 1,149,400	$ 1,223,260	**$ 1,212,629**	**$ 2,187,556**
Earnings before deducting the following items	394,527	441,646	582,876	**698,743**	**573,893**
Depreciation	52,190	52,015	60,392	**56,322**	**111,103**
Cost of Long Term Debt	202,796	234,994	281,845	**295,988**	**256,539**
	254,986	287,009	342,237	**352,310**	**367,642**
Earnings from operations	139,541	154,637	240,639	**346,433**	**206,251**
Gain (loss) on sale of fixed assets	(447)	2,616	75,632	**7,984**	**146,799**
Earnings before Income Taxes	139,094	157,253	316,271	**354,417**	**353,050**
Provisions for Income Taxes					
Current	7,916	6,200	1,675	**2,783**	**8,283**
Deferred	31,800	71,541	116,005	**179,674**	**169,870**
	39,716	77,741	117,680	**182,457**	**178,153**
Net Earnings	99,378	79,512	198,591	**171,960**	**174,897**

Earnings Per Common Share



Assets and Shareholders' Equity



Westmount Place Shopping Centre comprised of 69,000 sq. ft. of retail space and 15,000 sq. ft. for professional offices officially opened February, 1970.

1 View of covered promenade
2 A fashion store interior
3 Dominion Store's opening

1

2

3

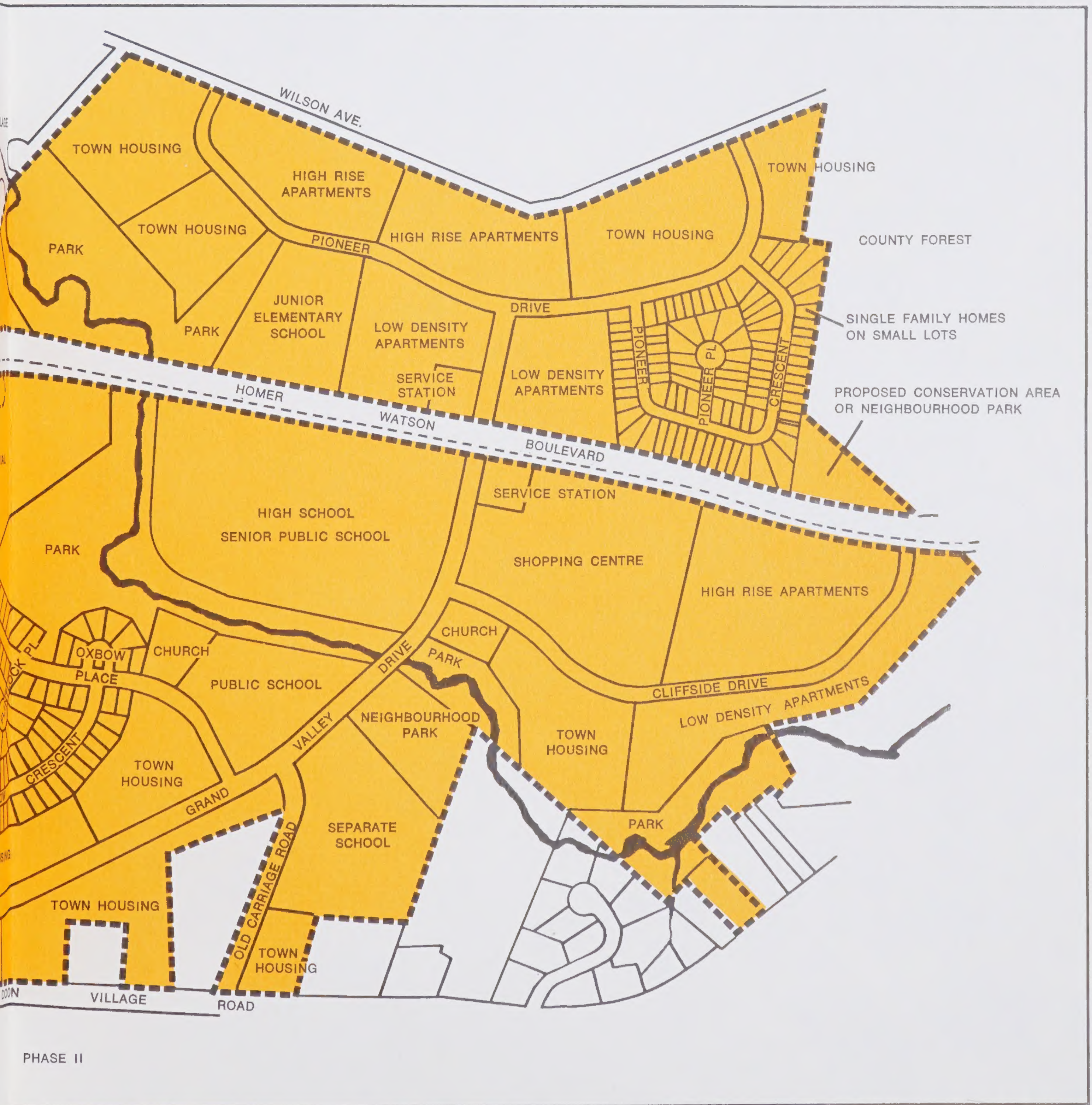
Pioneer Park

DEVELOPMENT

Phase I 300 Acres

Phase II 500 Acres

Pioneer Park, an 800-acre community located in the City of Kitchener, one mile north of the MacDonald-Cartier Freeway within 15 minutes of Waterloo, Galt, Preston and Hespeler.



PHASE II

1 Dunker Mews
2 St. Andrews Community
3 St. Andrews Model Home
4 Manor House

1

2

3

4

Accounting Policies
Used by the Company in the Preparation of its Financial Statements

Property Held for Development—Land Costs

Interest, property taxes and insurance applicable to land held for development less related rental income are being added to the land cost until a sale takes place or the land is sub-divided, whichever occurs first. (Commenced February 1, 1969)

Fixed Assets

The cost of buildings constructed by the Company includes all carrying costs incurred in completing the buildings. Carrying costs include interest, taxes and operating costs less rental revenue until the buildings are 70% occupied.

Depreciation

Depreciation is calculated on a straight-line basis and was charged during the year as follows:

Buildings—2½%	$ 74,462
—3%	15,804
Equipment and furnishings—10%	20,837
	$111,103

Deferred Public Financing Expense

This expense is being amortized equally over five years subject to earlier redemption of the 7¼% debentures.

Income Taxes

Income taxes are being recorded on the Tax Allocation basis as recommended by the Institute of Chartered Accountants.

Deferred Income

Two sizeable land sales during the year involved long term leases back to the Company. Gross profits from these sales are deferred and are being amortized over the initial periods of the ground lease.

Income from Land Sales

Income from land sales is recognized when the agreement is written and the guidelines issued by the Ontario Securities Commission have been satisfied.